


ASEAN Taxonomy for Sustainable Finance Version 2 Stakeholder Consultation


Roundtable Information Pack


1. Roundtable Objectives
2. Roundtable Format
3. Roundtable Schedule
4. Overview of ASEAN Taxonomy Version 2

- To gather feedback from a wide range of stakeholders on the ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy) Version 2 (Version 2), including but not limited to the following:
 - Usability of the ASEAN Taxonomy, and interoperability of the ASEAN Taxonomy considering taxonomies from other jurisdictions (where relevant)
 - Fundamental principles of the Environmental Objectives and Essential Criteria
 - Usability and implementability of the Foundation Framework
 - Usability and implementability of the Plus Standard
 - Technical Screening Criteria set for the first focus sector 'Electricity, gas, steam and air conditioning supply (Energy)'
 - Development of the Technical Screening Criteria for the 'Transportation and storage' and 'Construction and real estate' focus sectors

Agenda and Format of the Roundtable Session

 3 hours per session

 10-20 participants per session

 Virtual, in English

Agenda	Proxy Time	Remarks
Welcome address	5 mins	
Quick overview of ASEAN Taxonomy Version 2	15 mins	
Guidance for Essential Criteria	15 mins	<ul style="list-style-type: none"> • Tests the sufficiency of guidance for EC1 and 2 as well as the Social Aspect assessment and its supplementary guiding questions
Overall Usability and Interoperability	30 mins	<ul style="list-style-type: none"> • Tests the usability, interoperability and potential drivers for adoption given the current version of the Taxonomy
Foundation Framework	30 mins	<ul style="list-style-type: none"> • Tests the usability and readiness of the FF to be implemented
Break	10 mins	
Plus Standard <ul style="list-style-type: none"> • Transition Effort and Guiding Principles • Grandfathering • TSC Governance • EO4 DNSH • Sector-Specific TSC 	55 mins	<ul style="list-style-type: none"> • Tests alignment of Amber Tiers with transition effort in AMS • Tests whether the guiding principles on setting TSC for EOs 1 and 2 are feasible for all focus sectors • Tests the applicability of grandfathering entities or portfolios • Tests appropriateness of publication timeline of subsequent TSC and period of declining thresholds for the energy sector • Reconciles EO4 DNSH criteria • Solicits views on current and subsequent TSC for the energy sector • Solicits views on Activity-specific TSC for coal phase-out and heating/cooling resulting from bioenergy • Solicits views on potential TSC and guiding principles for construction and real estate as well as transportation and logistic sectors
Future Development: Entity/Portfolio Assessment	10 mins	<ul style="list-style-type: none"> • Tests the applicability of utilising the aggregation methodology for classifying entities and portfolios
Open discussion	10 mins	

Meeting Etiquette







1. Please indicate both your name and organisation as your 'display name' on Zoom. If you are an ATB member, please indicate in your name as well.
2. Mute your microphone when not speaking.
3. Feel free to ask questions and share your view by using the 'raise hand' feature.
4. Do not interrupt when someone is talking; use the 'raise hand' feature and wait for your turn.

General

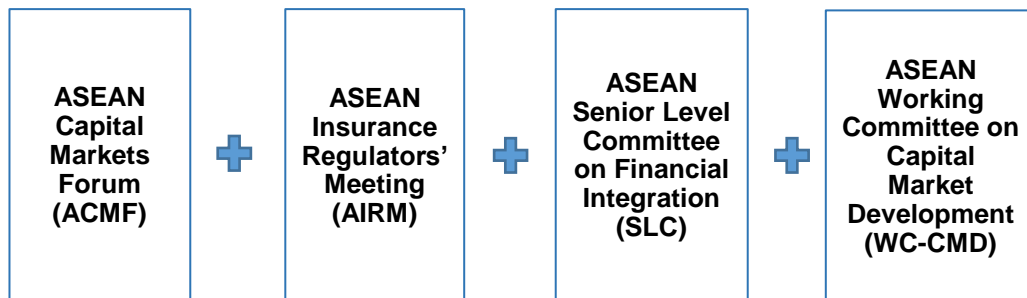
1. The session will be recorded, and appropriate behaviour is expected from all participants.
2. The session will be conducted under the Chatham House Rule:
 - Meeting notes will be kept, but statements or opinions expressed would not be ascribed to any specific person or organisation.
3. Please note that this session is intended for gathering feedback; resolving issues is not an objective of the roundtables. For example, this discussion is not to determine the right technical screening criteria.

Roundtable Schedule

Roundtable Schedule

No.	Sector / Country		Proposed Date and Time
1	 Electricity, gas, steam and air conditioning supply (Energy)	Traditional Energy	10 Aug (Thursday), 2-5 PM GMT+8
2		Renewable Energy	11 Aug (Friday), 2.30-5.30PM GMT+8
3	 Transportation and storage		7 Aug (Monday), 2-5 PM GMT+8
4	 Construction and real estate		18 Aug (Friday), 2.30-5.30 PM GMT+8
5	 Financial institutions	Banks	22 Aug (Tuesday), 2-5 PM GMT+8
6		Asset Managers / Investors	24 Aug (Thursday), 9.30-12.30 PM GMT+8
7	 NGOs and ODAs		29 Aug (Tuesday), 2-5 PM GMT+8
8	 Ministries and government agencies	VN	7 Sep (Thursday), 2-5 PM GMT+8
9		LA	1 Sep (Friday), 2.30-5.30 PM GMT+8
10		PH	4 Sep (Monday), 2-5 PM GMT+8
11		KH	5 Sep (Tuesday), 2-5 PM GMT+8

Formation of the ASEAN Taxonomy Board (ATB)



Established by: 4 sectoral bodies under the ASEAN Finance Cooperation Process:

- represents the banking, capital market and insurance sectors
- facilitates the development of the ASEAN Taxonomy

Principles for Developing and Implementing the ASEAN Taxonomy

- 01 The ASEAN Taxonomy will be an overarching guide for all ASEAN Member States, providing a common language and complementing their respective national sustainability initiatives.
- 02 The ASEAN Taxonomy will take into consideration widely used taxonomies and other relevant taxonomies, as appropriate, and shall be contextualised to facilitate an orderly transition towards a sustainable ASEAN.
- 03 The ASEAN Taxonomy shall be inclusive and beneficial to all AMS.
- 04 The ASEAN Taxonomy shall provide a credible framework, including definitions, and where appropriate, be science-based.
- 05 The ASEAN Taxonomy will be aligned with the sustainability initiatives taken by the capital market, banking and insurance sectors, or at least not in conflict.

Summary of Outcomes for Stakeholder Consultation for ASEAN Taxonomy Version 1 (May – August 2022)

From the Written Feedback, Roundtables and Direct Interviews phases, five common themes were raised and will be addressed in the development of Version 2:

01 Interoperability with International Taxonomies

02 Alignment with National Taxonomies

03 Availability, transparency and quality of data

04 Treatment of Social Issues in the ASEAN Taxonomy

05 Tier Setting – References, Basis and Retirement

Overview of Version 2

- The ASEAN Taxonomy is intended to be a **living document** – periodically revised to account for technological, scientific and economic developments.
- **Completed targeted consultation for Version 1 with key stakeholders in August 2022.**
- **Version 2 published on 27 March 2023** with clear guidance for the Foundation Framework and Plus Standard.
- **Social aspects** introduced as the third Essential Criteria (EC).

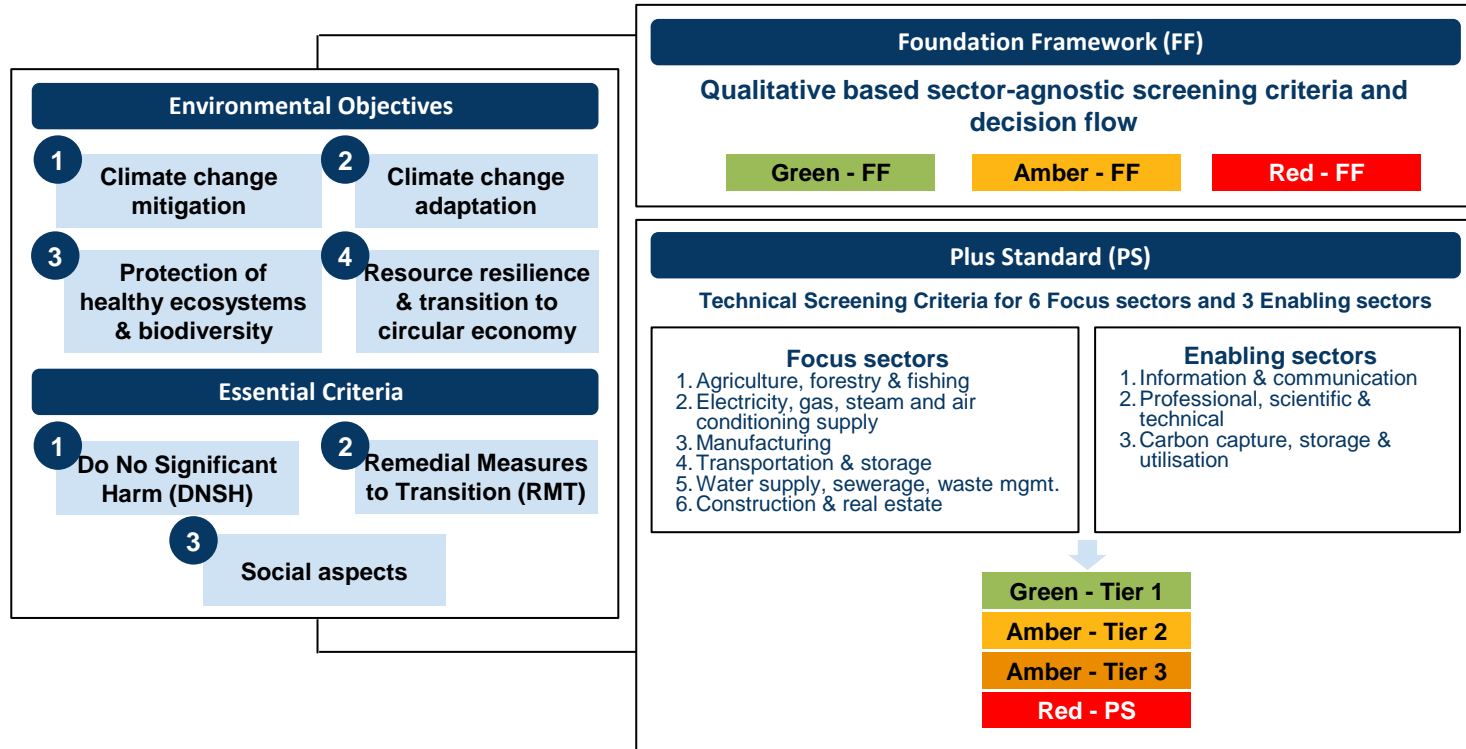
Version 2 - Foundation Framework (FF)

- **Integrated other Environmental Objectives (EOs)** as focus for Version 1 was **Climate mitigation** (EO1). The other EOs are:
 - EO2: **Climate change adaptation**
 - EO3: **Protection of healthy ecosystems and biodiversity**
 - EO4: **Promote resource resilience and transition to circular economy**
- Developed **guiding questions, decision trees and use cases** that covers every EO and EC.

Version 2 - Plus Standard (PS)

- **Completed** Do No Significant Harm (DNSH) Annex
- Developed the **methodology** to set **Technical Screening Criteria (TSC)**, including metrics and thresholds, for all EOs that will apply to focus and enabling sectors.
- Developed TSC for EOs 1-4 as for one focus sector (**Energy**). Considerations include:
 - **Tier-setting, sunseting, grandfathering and coal phase-out**
- Developed TSC for Carbon Capture Utilisation and Storage (CCUS) enabling sector.
- Develop TSC for the remaining focus sectors and enabling sectors in the next two years.

Structure of the ASEAN Taxonomy Version 2





Promotion and Protection of Human Rights

Promotion of human rights and fundamental freedoms, in line with the ASEAN Human Rights Declaration (AHRD) and the Phnom Penh Statement on the Adoption of the AHRD (ASEAN, 2012).



Prevention of Forced Labour and Protection of Children's Rights

Promotion of labour rights and prohibition of forced labour, including but not limited to exploitation, trafficking in persons, violence and abuse, in line with the ASEAN Declaration on the Protection of the Rights of Migrant Workers and the ASEAN Consensus on the Protection and Promotion of Rights of Migrant Workers (ASEAN, 2012).



Impact on People living Close to Investments

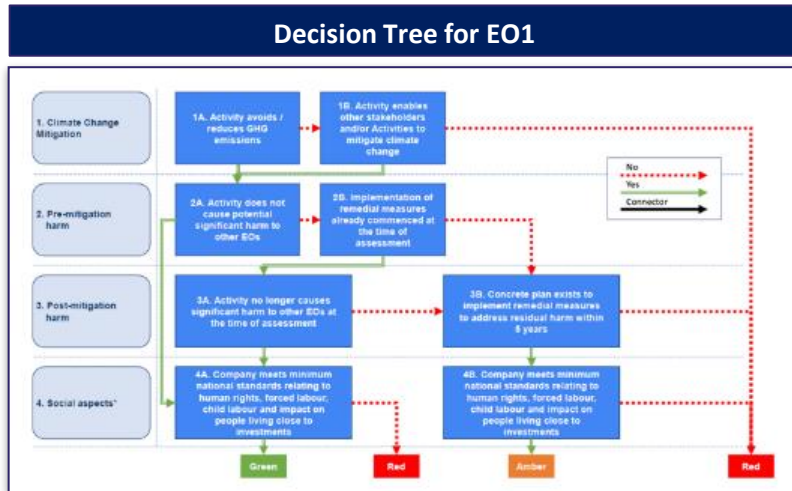
Management of investment-related impacts to people (including children) living in at-risk areas by encouraging inclusive and targeted measures to reduce the impact of investments on vulnerable populations and strengthen institutional capacity to address the needs of people affected, in line with the ASEAN Declaration on Strengthening Social Protection (ASEAN, 2013).

Features of the Foundation Framework in Version 2

1 Multiple sector-agnostic Decision Trees that cover each environmental objective and incorporates all three essential criteria

2 Guiding Questions that supplement each Decision Tree

3 Use Cases that address all environmental objectives and essential criteria



Guiding Questions for EO1

S/N	Guiding questions - EO1 (Climate Change Mitigation)
1A	<p>Does the Activity avoid / reduce GHG emissions?</p> <ol style="list-style-type: none"> How does the Activity avoid or help reduce emissions? (e.g., generation of electricity through renewables) <ul style="list-style-type: none"> Does the Activity avoid locking in high-carbon activity? (i.e., delaying or preventing the transition towards low carbon alternatives) Does the Activity avoid leading to significant GHG emissions, incl. CO2, CH4, N2O, SF6, NF3 and/or HFCs? Does the Activity avoid leading to or causing extensive deforestation practices? Do the Company's policies and business strategy generally avoid contradicting or impeding alignment with the specified EO1 principles? Where applicable and relevant, is a 3rd party certification or verification of alignment of Activity with EO1 available? Does the Activity fulfil relevant environmental law(s) applicable to EO1? Are the effects of climate change mitigation efforts measurable and observable? (e.g., data on amount of carbon emissions avoided)
1B	<p>Does the Activity enable other stakeholders and/or other Activities to mitigate climate change?</p> <ol style="list-style-type: none"> Does the Activity help other stakeholders (including the community) to mitigate climate change? (e.g., construction of a building that facilitates urban planting) <ul style="list-style-type: none"> Does the Activity avoid impeding upstream and/or downstream stakeholders from reducing their GHG emissions? Does the Activity promote intersectoral collaborations for climate change mitigation without negatively affecting other sectors? How does the Activity enable other Activities to mitigate climate change? (e.g., operation of power transmission and distribution equipment that enables the incorporation of solar power) Are the effects of climate change mitigation efforts by the enabled Activity measurable and observable? (e.g., data on amount of carbon emissions avoided)

* Once evaluation is complete, proceed to Section 0 to evaluate the Activity under Do No Significant Harm & Remedial Measures to Transition.

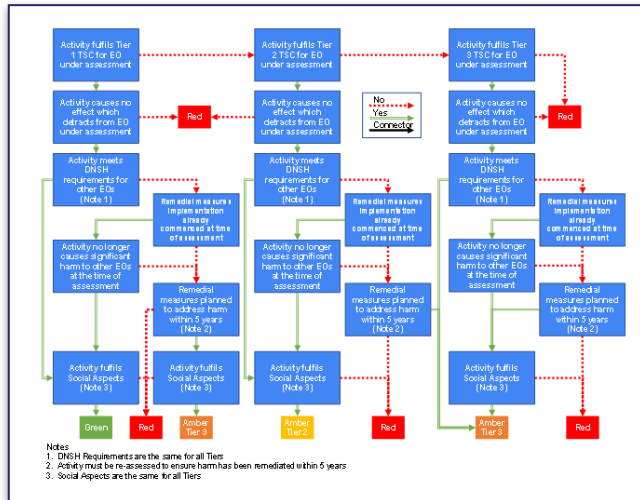
*Note: This is an illustration for EO1 only however the completed FF also provides guidance for other EOs

Features of the Plus Standard in Version 2

1 The methodology to set TSC including metrics and thresholds, for all EOs that will apply to focus and enabling sectors. It also includes a guide for users to navigate the assessment flow, should they intend to use the PS.

2 The TSC for all four environmental objectives for the Energy sector in the Plus Standard is included in Annex 1.

PS Assessment Flow



Summary of Setting, Review, Adjustment and Sunsetting of TSC

Type	Description / Definition
TSC Setting	<ul style="list-style-type: none"> TSC will be set for each Tier applicable to an Activity. Future TSC for subsequent TSC Periods will also be set until the Tier is sunset for that Activity. The extant TSC at the time of assessment must be used as the basis of classification of an Activity under the PS. TSC are considered extant until an adjusted TSC has been approved and published by the ATB.
TSC Period	<ul style="list-style-type: none"> The TSC Period is the period between the setting of an TSC and the subsequent adjustment of that TSC. A TSC Period of 5-years is recommended as standard but may vary by Activity at the discretion of the ATB, in line with expected developments in technology in the coming years. The TSC for all Tiers of the same Activity may be adjusted at the end of each TSC Period, normally in line with future TSC. The TSC Period ends when an adjusted TSC come into force. At this point, a new TSC Period commences, except when the Tier is sunset (see below).
Sunsetting	<ul style="list-style-type: none"> Sunset date must be confirmed 12 months before sunset, after which time no change may be made to the sunset date. The sunsetting recommendation must be approved by the ATB and the decision published. When a Tier has been sunset, all TSC related to that Tier can no longer be used as the basis for classification of Activities.

The quantitative thresholds for energy activities under EO1 (Climate Mitigation):

Tier	EO1: Climate Change Mitigation Threshold
Green Tier 1	Lifecycle GHG emissions: <100 gCO ₂ e/kWh
Amber Tier 2	Lifecycle GHG emissions: >100 and <425 gCO ₂ e/kWh
Amber Tier 3	Lifecycle GHG emissions: >425 and <510 gCO ₂ e/kWh

**Note: Further information on the TSC can be found in section 3.1, page 110, Annex 1 of the ASEAN Taxonomy Version 2*

The CPO TSC a global first for a regional taxonomy

The TSC for CPO, is one of the unique features of the ASEAN Taxonomy, that demonstrates the facilitation of transition:

Green

1. Aligned with a 1.5 degrees outcome and is consistent with the IEA Net Zero Emissions Pathway for the power sector to achieve net zero emissions by 2050. Specific conditions under (1) include:
 - a. Coal phase out by 2040, and;
 - b. Coal plants built after 31 December 2022 will not qualify, and;
 - c. Operation duration of the coal plant from commercial operation date (COD) is capped at 35 years, and;
 - d. Qualifying coal plants must demonstrate the adoption of best-in-class technology, provided that these technologies are affordable, accessible, reliable and can be implemented within a reasonable timeframe, and;
 - e. Qualifying coal plants have been independently verified or acknowledged by internationally-recognised bodies or programmes as having demonstrated substantial absolute positive emissions savings over their expected lifetime compared to a case without a transition mechanism. Coal plants under the ADB ETM or JETP meet this criteria.

Amber Tier 2

1. Aligned with a 1.5 degrees outcome for coal phase-out that is derived from regional- or country-specific pathways that are consistent with science-based pathways. Specific conditions under (1) include:
 - a. Coal phase out by 2050, and;
 - b. Coal plants built after 31 December 2022 will not qualify, and;
 - c. Operation duration of the coal plant from commercial operation date (COD) is capped at 35 years.

Amber Tier 3

1. Operation duration of the coal plant from commercial operation date (COD) is capped at 35 years, and;
2. Coal plants that are built after 31 December 2022 will not qualify, except for
 - a. Coal plants that are built from 1 January 2023 up till 31 December 2027, and;
 - b. Adopt best-in-class technology, provided that these technologies are affordable, accessible, reliable and can be implemented within a reasonable timeframe.

**Note: Further information on the TSC can be found in section 3.13, page 132, Annex 1 of the ASEAN Taxonomy Version 2*

1. Activities List, TSC and forward plans

- Principles of TSC-setting
- TSC for the energy sector
- Forward plans for the TSC

2. DNSH Criteria

- General criteria and guiding principle for DNSH for all environmental objectives
- Guidance on Lifecycle Assessment

3. Climate Risk and Vulnerability Assessment (CRVA)

- Guidance on conducting a CRVA
- Classification of climate related hazards
- Sample case of a CRVA being conducted on an activity

4. Alignment of the ASEAN Taxonomy with national strategies

- This Annex would be updated as the development of the ASEAN Taxonomy progresses

5. Regulations pertaining to Social Aspects listed by AMS

- Compilation of AMS regulations pertaining to the ASEAN Taxonomy's key Social Aspects

6. Regulations pertaining to the Environment listed by AMS

- Compilation of AMS regulations pertaining to environmental protection and efficient use of natural resources

Thank you